

**MINAEAN INTERNATIONAL CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2006 AND 2005**

# MINAEAN INTERNATIONAL CORP.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditors.

February 26, 2007

**MINAEAN INTERNATIONAL CORP.**

## CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2006 AND MARCH 31, 2006

	December 31, 2006	March 31, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,165,540	\$ 280,885
Accounts and advances receivable	815,436	343,998
Inventories	508,761	303,101
Prepaid expenses and deposits	<u>440,141</u>	<u>33,891</u>
	2,929,878	961,875
<b>Deferred financing fees</b>	32,994	44,994
<b>Land, buildings and equipment</b>	<u>254,766</u>	<u>102,891</u>
	<u>\$ 3,217,638</u>	<u>\$ 1,109,760</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 2)	\$ 794,779	\$ 186,681
Accounts payable and accrued liabilities	1,350,706	365,187
Due to related parties	162,225	41,956
Current portion of long-term debt	<u>—</u>	<u>1,679</u>
	2,307,710	595,503
<b>Promissory notes payable</b>	<u>175,084</u>	<u>161,524</u>
	<u>2,482,794</u>	<u>757,027</u>
<b>Shareholders' equity</b>		
Capital stock (Note 3)	5,300,556	4,012,613
Contributed surplus (Note 3)	457,036	425,768
Deficit	<u>(5,022,748)</u>	<u>(4,085,648)</u>
	<u>734,844</u>	<u>352,733</u>
	<u>\$ 3,217,638</u>	<u>\$ 1,109,760</u>

The accompanying notes are an integral part of these consolidated financial statements.

## MINAEAN INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2006 AND 2005  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
<b>SALES</b>	\$ 1,338,017	\$ 225,696	\$ 1,710,964	\$ 814,417
<b>COST OF SALES</b>	<u>1,197,077</u>	<u>204,840</u>	<u>1,564,915</u>	<u>675,833</u>
	<u>140,940</u>	<u>20,856</u>	<u>146,049</u>	<u>138,584</u>
<b>EXPENSES</b>				
Advertising	875	2,389	1,610	14,282
Amortization	14,420	20,910	35,327	62,277
Commissions (recovery)	33,730	(64)	34,637	4,600
Consulting fees (recovery)	66,269	(2,144)	92,050	29,913
Interest and bank charges	25,844	21,188	47,004	27,311
Interest on promissory notes	4,537	6,050	13,560	18,082
Management fees	17,442	15,000	66,018	45,000
Office and administration	98,172	11,890	159,750	120,299
Professional fees	6,001	18,526	48,729	32,265
Regulatory and transfer agent fees	9,190	2,225	18,297	14,606
Rent	43,702	22,003	73,884	53,279
Stock-based compensation	4,104	–	145,114	52,504
Technical and engineering	1,070	567	1,070	7,885
Travel and promotion	46,468	22,036	86,675	101,372
Wages and benefits	100,910	115,179	291,749	317,643
	<u>(472,734)</u>	<u>(255,755)</u>	<u>(1,115,474)</u>	<u>(901,318)</u>
<b>Loss before other items</b>	<u>(331,794)</u>	<u>(234,899)</u>	<u>(969,425)</u>	<u>(762,734)</u>
<b>OTHER ITEMS</b>				
Gain on investment in joint venture	4,289	–	4,289	–
Government grants	–	–	–	35,011
Interest and other income	15,519	–	28,036	22,561
	<u>19,808</u>	<u>–</u>	<u>32,325</u>	<u>57,572</u>
<b>Loss for the period</b>	<u>(311,986)</u>	<u>(234,899)</u>	<u>(937,100)</u>	<u>(705,162)</u>
<b>Deficit, beginning of period</b>	<u>(4,710,762)</u>	<u>(3,373,575)</u>	<u>(4,085,648)</u>	<u>(2,903,312)</u>
<b>Deficit, end of period</b>	<u>\$ (5,002,748)</u>	<u>\$ (3,608,474)</u>	<u>\$ (5,022,748)</u>	<u>\$ (3,608,474)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
<b>Weighted average number of shares outstanding</b>	<u>30,779,717</u>	<u>26,254,416</u>	<u>29,087,517</u>	<u>26,022,271</u>

The accompanying notes are an integral part of these consolidated financial statements.

# MINAEAN INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2006 AND 2005  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (311,986)	\$ (234,899)	\$ (937,100)	\$ (705,162)
Items not affecting cash:				
Amortization	14,420	20,910	35,327	62,277
Stock-based compensation	4,104	–	145,114	52,504
Interest accrued on promissory notes	4,537	6,050	13,560	18,082
Changes in non-cash working capital items:				
Accounts and advances receivable	(381,695)	60,906	(471,438)	(105,121)
Inventories	(327,568)	6,117	(205,660)	(48,300)
Prepaid expenses and deposits	(125,411)	(222,687)	(406,250)	(273,234)
Accounts payable and accrued liabilities	843,714	69,535	985,519	183,653
Net cash used in operating activities	<u>(279,885)</u>	<u>(294,068)</u>	<u>(840,928)</u>	<u>(815,301)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of land, buildings and equipment	<u>(151,863)</u>	<u>(8,015)</u>	<u>(175,202)</u>	<u>(26,953)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Due to related parties	(101,204)	(53,126)	120,269	3,529
Bank indebtedness	322,624	108,901	608,098	124,627
Repayments on long-term debt	–	(1,621)	(1,679)	(4,945)
Promissory notes payable	–	–	–	(30,364)
Proceeds on share issuance	1,039,620	–	1,204,620	286,000
Share issuance costs	(30,523)	–	(30,523)	(23,600)
Shares subscription	<u>(30,000)</u>	<u>–</u>	<u>–</u>	<u>(23,600)</u>
Net cash provided by financing activities	<u>1,200,517</u>	<u>54,154</u>	<u>1,900,785</u>	<u>355,247</u>
<b>Increase (decrease) in cash and equivalents during the period</b>	<b>768,769</b>	<b>(247,929)</b>	<b>884,655</b>	<b>(487,007)</b>
<b>Cash and equivalents, beginning of period</b>	<u>396,771</u>	<u>448,416</u>	<u>280,885</u>	<u>687,494</u>
<b>Cash and equivalents, end of period</b>	<b>\$ 1,165,540</b>	<b>\$ 200,487</b>	<b>\$ 1,165,540</b>	<b>\$ 200,487</b>
<b>Cash paid during the period for interest</b>	<b>\$ –</b>	<b>\$ 21,188</b>	<b>\$ –</b>	<b>\$ 27,311</b>

The accompanying notes are an integral part of these consolidated financial statements.

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

## 1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended March 31, 2006.

## 2. BANK INDEBTEDNESS

	December 31, 2006	March 31, 2006
State Bank of India, \$195,434 (Indian Rupee "INR" 7,400,000) bears interest at 10.5% per annum and is secured by fixed deposits of \$216,530.	\$ 195,434	\$ 186,681
Export Development Canada, Performance Security Guarantee of \$1,000,000 non-secured through State Bank of India bearing interest of 10.5%.	599,345	—
As at December 31, 2006	\$ 749,779	\$ 186,681

## 3. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized Unlimited common shares without par value			
As at March 31, 2006	27,754,416	\$ 4,012,613	\$ 425,768
Issued by way of private placement	3,599,064	1,015,596	—
Exercise of options	825,000	278,846	(113,846)
Return on equity investment	—	(6,500)	—
Stock-based compensation	—	—	145,114
As at December 31, 2006	32,178,480	\$ 5,300,555	\$ 457,036

Included in capital stock as at December 31, 2006 are 3,766,193 (March 31, 2006 – 5,961,832) common shares held in escrow subject to a periodic schedule of release.

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

## 3. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

### Share issuances

During the nine months ended December 31, 2006, the Company received TSX Venture Exchange acceptance with respect to the closing of the first, second and third tranches of its non-brokered private placement. The Company issued a total of 3,487,064 units at a price of \$0.30 per unit for gross proceeds of \$1,046,120. Each unit consists of one common share and one half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.40 per share up to two years from the date of closing. The units of the first tranche are subject to a hold period expiring February 28, 2007, the units of the second tranche are subject to a hold period expiring March 22, 2007 and the units of the third tranche are subject to a hold period expiring April 13, 2007. The Company paid an aggregate of \$27,566 and 112,000 common shares as finders' fees to third parties on a portion of both tranches of the private placement and \$2,957 for share issuance costs.

During the nine months ended December 31, 2006, 825,000 options were exercised at a price of \$0.20 per common share and 825,000 common shares were issued for gross proceeds of \$165,000. In addition, a reallocation of \$113,846 from contributed surplus to share capital was recorded on the exercise of these options.

### Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, March 31, 2006	2,883,332	\$ 0.43	2,625,000	\$ 0.26
Granted	1,743,535	0.40	1,272,500	0.26
Exercised	—	—	(825,000)	0.20
Cancelled	—	—	(302,500)	0.25
Outstanding, December 31, 2006	4,626,867	\$ 0.36	2,770,000	\$ 0.25
Number currently exercisable	4,626,867	\$ 0.36	2,655,653	\$ 0.25

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

## 3. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

### Stock options and warrants (cont'd...)

As at December 31, 2006, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	60,000	0.25	March 1, 2007
	540,000	0.25	April 28, 2008
	150,000	0.25	January 1, 2009
	385,000	0.25	January 16, 2009
	525,000	0.35	July 19, 2009
	1,110,000	0.25	July 4, 2011
<b>Warrants</b>	1,256,666	0.35	January 21, 2007
	483,333	0.35	March 31, 2007
	393,333	0.35	May 13, 2007
	750,000	0.30	March 2, 2007
	1,227,168	0.40	October 27, 2008
	349,700	0.40	November 21, 2008
	166,667	0.40	December 13, 2008

During the nine months ended December 31, 2006, the Company received TSX Venture Exchange acceptance for the repricing of 2,133,332 warrants expiring between January 21, 2007 to May 13, 2007 from \$0.50 to \$0.35.

### Stock-based compensation

The Company uses the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations over the vesting period. Total stock-based compensation recognized in the statement of operations was \$145,114 (2005 – \$52,504) and the weighted average fair value of options granted was \$0.13 (2005 – \$0.18) per share. This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options and share purchase warrants:

December 31,	2006	2005
Risk-free interest rate	<b>4.48%</b>	3.19%
Expected life of options	<b>5 years</b>	5 years
Annualized volatility	<b>80%</b>	81%
Dividend rate	<b>0.00%</b>	0.00%

## **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

### **4. JOINT VENTURE INTEREST IN MINAEAN VANITECH ENGINEERS INC.**

Amounts included in these financial statements related to the Company's interest in Minaean Vanitech Engineers Inc. ("Vanitech") are as follows:

	<b>December 31, 2006</b>	March 31, 2006
Current assets	\$ —	\$ 8,812
Long-term assets	—	1,077
Current liabilities	—	11,489
Expenses	—	9,025

During the nine months ended December 31, 2006, the Company terminated the joint venture agreement and wrote-off its interest in it. As a result, the Company recorded a gain on the disposal of its interest of \$4,289.

### **5. SEGMENTED INFORMATION**

The Company operates in one industry segment, being the development and production of building framing systems, and in the geographic areas as follows:

December 31,	2006	2005
Sales for the period		
India	\$ 1,072,894	\$ 565,511
USA	<u>638,070</u>	<u>23,209</u>
	<b>\$ 1,711,841</b>	<b>\$ 588,720</b>

  

	<b>December 31, 2006</b>	March 31, 2006
Capital assets		
Canada	\$ 11,043	\$ 18,447
USA	4,292	2,481
India	<u>239,431</u>	<u>81,963</u>
	<b>\$ 254,766</b>	<b>\$ 102,891</b>

During the period, one customer comprised 100% of US sales (2005 – two customers comprised 100% of sales) and one customer accounted for 95% of Indian sales (2005 – three customer for 90% of sales).

### **6. CONTINGENCY**

The Company is involved in a claim and litigation in the amount of \$97,637 plus additional damages arising as a result of the termination of certain consulting services. In the opinion of management, this claim is without merit and the Company has filed a counter claim. No provision has been made for this claim in the accounts.

# **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

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## **7. SUBSEQUENT EVENTS**

Subsequent to the nine months ended December 31, 2006:

- a) the Company was able to facilitate a CAD \$5.5 million contract with Shell India after receiving a Financial Security Guarantee from Export Development Canada (EDC).

EDC's Financial Security Guarantee was provided to the State Bank of India (Canada), which provided the required collateral for the State Bank of India (India) to establish a CAD \$2 million line of credit to fund the working capital requirements of the Shell contract. The Company will provide prefabricated modular steel structures to be used as retail outlets for Shell gas stations across India.

EDC's support in providing a guarantee facility of CAD \$300,000 initially allowed the Company to invest in capital expenditures and the refurbishing of its Bangalore-based production unit. The subsequent release of CAD \$2 million by EDC brought forward the Company's ability to lease and set up a 30,000 square foot facility in Mumbai and get into full scale production within ten weeks. This had a direct impact upon Shell's decision to award the contract to the Company.

- b) 425,000 warrants at \$0.35 per share and 50,000 warrants at \$0.30 per share were exercised for proceeds of \$163,750.
- c) 831,666 warrants at \$0.35 per share expired on January 21, 2007.